



# Iowa Department of Human Services

Terry E. Branstad  
Governor

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Lt. Governor

Charles M. Palmer  
Director

## INFORMATIONAL LETTER NO.1799-MC-FFS

**DATE:** June 1, 2017

**TO:** Iowa Medicaid Hospitals (Including Critical Access Hospitals and Excluding Indian Health Services)

**APPLIES TO:** Managed Care (MC) and Fee-for-Service (FFS)

**FROM:** Iowa Department of Human Services (DHS), Iowa Medicaid Enterprise (IME)

**RE:** Diagnosis-Related Group (DRG) Cost Outlier Threshold

**EFFECTIVE:** July 1, 2017

The state fiscal year (SFY) 2018/19 Human Services appropriations bill (House File 653), included a number of legislatively mandated cost-containment initiatives. One such initiative requires DHS to adjust the inpatient DRG cost threshold formula to be the greater of two times the statewide average DRG payment for that case or the hospital's individual DRG payment for that case plus \$75,000.

The changes will be effective for inpatient hospital discharges on or after July 1, 2017, for Medicaid FFS and IA Health Link (MCO) claims.

Prior to this adjustment, the DRG cost threshold formula was the greater of two times the statewide average DRG payment for that case or the hospital's individual DRG payment for that case plus \$16,000.

The IME appreciates your continued partnership as we work to improve the claim processing service quality and accuracy. If you have questions, please contact the IME Provider Services Unit at 1-800-338-7909 or email at [imeproviderservices@dhs.state.ia.us](mailto:imeproviderservices@dhs.state.ia.us).